

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1661-01
Bill No.: SB 516
Subject: Saint Louis; Retirement Systems and Benefits - General; Retirement - Local Government
Type: Original
Date: March 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	(Unknown)*	(Unknown)*	(Unknown)*

***No actuarial cost statement on file with the Joint Committee on Public Employee Retirement.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Local Government Employees Retirement System and County Employees Retirement System** assume no fiscal impact to their agency.

The **Joint Committee on Public Employee Retirement** indicates this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5).

Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for provisions contained in this legislation has not been filed with the Joint Committee on Public Employee Retirement. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in

accordance with Section 105.665.

ASSUMPTION (continued)

Officials from the **St. Louis Police Retirement System** assume this proposal as drafted seems to grant 5 years of creditable service upon the payment of the employee contributions that a member would have made had he/she not been enrolled in the DROP. Since a member receives the refund of contributions at retirement, this would mean that a member would not make any contributions in return for the creditable service purchased after DROP participation.

If a member entered the DROP at 25 years of service, participated in DROP for 5 years and then re-entered the System, a member could purchase the last 5 years of service, (1/3 of the maximum earnable service) for the price of the "regular member contributions". A member could conceivably pay the contributions and retire the next day, receiving the refund of those contributions. According to this proposal a member would then retire with the full service credit and be credited with the higher Average Final Compensation, and thus a higher retirement benefit.

To fully determine the fiscal impact of this proposal a cost study prepared by the St. Louis Police Retirement System actuary would be required. The St. Louis Police Retirement System stated it is safe to say that the cost of this proposal should be considered very significant.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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Costs - City of St. Louis

Increased Contributions to
Police Retirement System

(Unknown)* (Unknown)* (Unknown)*

***No actuarial cost statement on file with the Joint Committee on Public Employee**

Retirement.

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION


This act allows members of the St. Louis Police Retirement System to purchase their deferred retirement option period. This would enable members who cease participation in the deferred retirement option plan (DROP) to make an election to purchase the creditable service for participation in the DROP. This would also allow members to receive their retirement benefit based on a higher average compensation and a higher benefit formula calculation. Upon the election, the member must pay for the employee contributions the member would have made for the entire DROP period purchased.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Local Government Employees Retirement System
County Employees Retirement System
City of St. Louis
St. Louis Police Retirement System

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized "M" and "W".

Mickey Wilson, CPA
Director
March 3, 2003